

# Congress of the United States

Washington, DC 20515

September 21, 2004

The Honorable Charles S. Abell  
Principal Deputy Under Secretary of Defense  
Personnel and Readiness  
Pentagon 3E764  
Washington, DC 20300-4000

Dear Under Secretary Abell:

In your letter of August 23 to the Armed Services Committees of the House and the Senate you described DOD plans to reduce the amount of U.S. and Canadian content required in foreign nameplate automobiles sold by the military exchanges overseas from 75 percent to 55 percent. We write to express our strong opposition to this proposal.

Reducing the U.S. and Canadian content requirements as you proposed would have a direct negative impact on automobile and auto parts producers in Michigan and throughout the United States. The chart accompanying the proposal – which, amazingly, you used to justify it – suggests that the proposal would result in the loss of almost 4000 unit sales for automobile producers headquartered in Michigan and the accompanying loss of sales of U.S. auto parts producers. Assuming an average cost of \$20,000, that amounts to \$80 million in lost sales to Michigan headquartered companies.

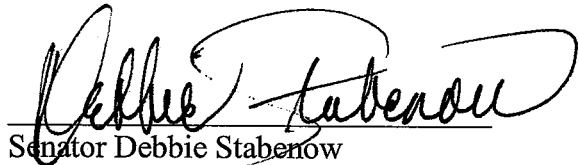
We are pleased that you concluded in your subsequent letter of September 16 to the Armed Services Committees that your early proposal was “premature” and Congress should “disregard it and allow us time to do additional research into the issue.” We do not think there is anything to research. Given the loss of 2.7 million manufacturing jobs in the United States and over 142,000 manufacturing jobs in Michigan – 17% of our manufacturing jobs – since 2001, we cannot fathom why you made this proposal in the first place or why you would continue to think that it required additional research and consideration.

We request that you confirm that the current U.S. and Canadian content requirements will not be replaced by a provision allowing more foreign-produced content to be substituted for domestically-produced parts.

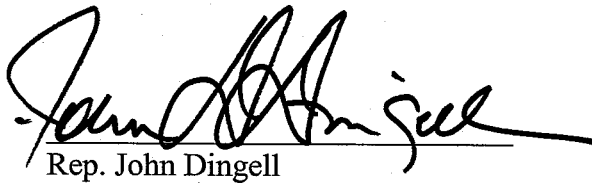
Sincerely,



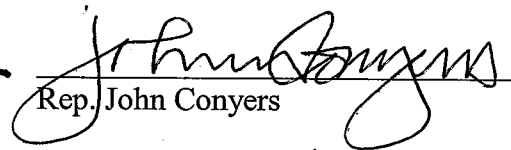
Senator Carl Levin



Senator Debbie Stabenow



Rep. John Dingell



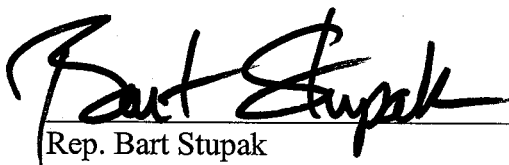
Rep. John Conyers



Rep. Dale Kildee



Rep. Sander M. Levin



Rep. Bart Stupak



Rep. Carolyn Kilpatrick



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000



PERSONNEL AND  
READINESS

SEP 16 2004


The Honorable John McHugh  
Chairman, Subcommittee on Total Force  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

On August 23, 2004, I sent you a letter on the Department of Defense plans to offer a wider selection of automobiles available for sale by the Armed Services Exchanges on DoD installations outside the United States, by reducing the requirement from 75 percent U.S. or Canadian content to 55 percent U.S. or Canadian content. A copy of the letter is enclosed.

The original letter was premature and I ask that the Subcommittee disregard it and allow us time to do additional research into the issue. A similar letter is being sent to the Chairman of the Senate Subcommittee on Personnel.

Sincerely,

  
Charles S. Abell  
Principal Deputy

Enclosure  
As stated

cc:  
The Honorable Vic Snyder  
Ranking Member





PERSONNEL AND  
READINESS

THE OFFICE OF THE UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000



AUG 23 2004

The Honorable John McHugh  
Chairman, Subcommittee on Total Force  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

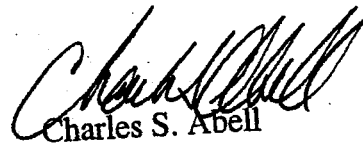
Dear Mr. Chairman:

The Department of Defense plans to offer a wider selection of automobiles available for sale by the Armed Services Exchanges on DoD installations outside the United States. The current DoD policy limits the sales of foreign name-plated to vehicles with at least 75 percent U.S. or Canadian content.

Reducing the requirement to 55 percent U.S. or Canadian content will enhance the quality of life of our Service members and their families by making available greater selections of popular foreign-brand automobiles from U.S. sources. In the enclosed analysis, the Armed Services Exchanges project additional annual earnings of \$823,020 that would be available for MWR dividend support.

I would appreciate the Subcommittee's views at your earliest convenience. A similar letter is being sent to the Chairman of the Senate Subcommittee on Personnel.

Sincerely,

  
Charles S. Abell  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Vic Snyder  
Ranking Member



# IMPACT OF LOWERING FOREIGN NAME PLATE AUTOMOBILE CONTENT FROM 75% TO 55%

Customer Desire	Manufacturer	Model	% Content (US & CAN.)	NEXCOM Units	NEXCOM Earnings	AAFES* Units	AAFES* Earnings	TOTAL Units	TOTAL Earnings
1	Toyota	Avalon	70	15	\$3,225	40	\$8,600	55	\$11,825
1	Toyota	Camry	70	125	\$26,875	600	\$129,000	725	\$155,875
1	Toyota	Corolla	70	60	\$12,900	300	\$64,500	360	\$77,400
1	Toyota	Matrix	70	20	\$4,300	236	\$50,740	256	\$55,040
1	Toyota	Pilot	70	20	\$4,300	100	\$21,500	120	\$25,800
2	Honda	Acura MDX	70	10	\$2,150	10	\$2,150	20	\$4,300
2	Honda	Civic	65	90	\$19,350	375	\$80,625	465	\$99,975
2	Honda	Element	65	25	\$5,375	50	\$10,750	75	\$16,125
2	Honda	Acura TL	65	5	\$1,075	10	\$2,150	15	\$3,225
2	Honda	Altima	65	15	\$3,225	270	\$58,050	285	\$61,275
3	Nissan	Eclipse	65	15	\$3,225	10	\$2,150	25	\$5,375
7	Mitsubishi	Galant	65	10	\$2,150	10	\$2,150	20	\$4,300
7	Mitsubishi	M Class	62	5	\$1,075	10	\$2,150	15	\$3,225
5	Mercedes Benz	Tundra	60	30	\$6,450	90	\$19,350	120	\$25,800
1	Toyota	Sequoia	60	20	\$4,300	60	\$12,900	80	\$17,200
1	Toyota	Accord	60	90	\$19,350	245	\$52,675	335	\$72,025
2	Honda	Maxima	60	5	\$1,075	185	\$39,775	190	\$40,850
3	Nissan	Quest	60	10	\$2,150	100	\$21,500	110	\$23,650
3	Nissan	Frontier	60	15	\$3,225	75	\$16,125	90	\$19,350
3	Nissan	Xterra	60	15	\$3,225	65	\$13,975	80	\$17,200
3	Nissan	Passport	55	20	\$4,300	139	\$29,885	159	\$34,185
2	Honda	6	55	5	\$1,075	75	\$16,125	80	\$17,200
4	Mazada	Baja	55	5	\$1,075	60	\$12,900	65	\$13,975
6	Subaru	Axiom	55	15	\$3,225	33	\$7,095	48	\$10,320
8	Isuzu	Rodeo	55	10	\$2,150	25	\$5,375	35	\$7,525
8	Isuzu								
TOTAL				655	\$140,825	3,173	\$682,195	3,828	\$823,020

\* AAFES figures include MCX

Enclosure